14. JOB COSTING

ASSIGNMENT SOLUTIONS

PROBLEM NO: 1

Calculation of job price:

Particulars	Amount (Rs.)
Direct materials	1,87,00,000
Direct wages (`80 × 2,400 hours)	1,92,000
Production overheads ($\frac{48,00,000}{24,000\ h} \times 2,400\ h$)	4,80,000
Production cost	**1,93,72,000**
Selling and administration overheads $\frac{18,00,000}{36,00,000} \times 1,93,72,000$	96,860
Total cost of sales	1,94,68,860
Profit mark-up @ 20%	38,93,772
Price for the job	**2,33,62,632**

PROBLEM NO: 2

Determination of quotation price for the job

Cost	Amount (Rs.)
Direct Material (10kg × Rs.10)	100
Direct Labour (20hrs × Rs.5)	100
Variable production overhead (20hrs × Rs.2)	40
Fixed Overhead $\left(\frac{Rs.\ 1,00,000}{10,000\ budgeted\ hours} \times 20\ hours\right)$	200
Other costs	50
Total costs	490

Net profit is 30% of sales, therefore total costs represent 70% (Rs. 490 × 100) ÷ 70 = Rs. 700 price to quote for job.

To check answer is correct; profit achieved will be Rs. 210 (Rs. 700 - Rs. 490) = Rs. 210 ÷ Rs. 700 = 30%

PROBLEM NO: 3

a) Calculation of OHs rates from the available data

Particulars	Amount (Rs.)	Amount (Rs.)
Direct Material		1,99,000
Direct wages: Machine shop : Assembly shop	63,000 48,000	1,11,000
Prime cost		3,10,000
Add: Works OHS : Machine Shop : Assembly Shop	88,200 51,800	1,40,000
Works cost/ factory cost		4,50,000
Add: Administration OHS		90,000
Cost of production		5,40,000
Add: Selling OHS	81,000	
Distribution OHS	62,100	1,43,100
Cost of sales / total cost		6,83,100

i) % of admin OHs on WC $= \frac{Rs.90,000}{Rs.4,50,000} \times 100 = 20\%$

ii) % of selling OHs on WC $= \frac{Rs.81,000}{Rs.4,50,000} \times 100 = 18\%$

iii) % of distribution OHs on WC $= \frac{Rs.62,100}{Rs.4,50,000} \times 100 = 13.8\%$

b) Statement of Estimated Job Cost:

Particulars	Amount (Rs.)	Amount (Rs.)
Direct materials: 25 kgs x 16.80 15 kgs x 20	420 300	720
Direct Labor Machine Shop : $\frac{63,000}{12,000hr} \times 30hr$ Assembly Shop: $\frac{48,000}{10,000hr} \times 42hr$	 157.50 201.60	359.10
Prime cost		**1,079.10**
Add: works OHS Machine shop : $\frac{88,200}{12,000hr} \times 30hr$ Assembly shop : $\frac{51,800}{10,000hr} \times 42hr$	 220.50 217.56	438.06
Works cost / factory cost		1,517.16
Add: Admin OHS @ 20% of WC		303.43
Cost of production		1,820.59
Add: Selling & Distribution OHS @ 31.8% on WC		482.46
Cost of Sales or total Cost		**2,303.05**

∴ Job Cost = Rs. 2,303.05

PROBLEM NO. 4

Job Cost Sheet

Customer Details ———
Job No._____

Date of commencement ——— Date
of completion _____

Particulars	Amount (Rs.)
Direct materials	70
Direct Wages: Deptt. X Rs. 2.50 x 8 hrs. = Rs. 20.00 Deptt. Y Rs. 2.50 x 6 hrs. = Rs. 15.00 Deptt. Z Rs. 2.50 x 4 hrs. = Rs. 10.00	45
Chargeable Expenses	5
Prime Cost	120
Overheads: Deptt. X = $\frac{Rs.5,000}{Rs.10,000} \times 100 = 50\%$ of $Rs.20 = Rs.10$ Deptt. Y = $\frac{Rs.9,000}{Rs.12,000} \times 100 = 75\%$ of $Rs.15 = Rs.11.25$ Deptt. Z = $\frac{Rs.2,000}{Rs.8,000} \times 100 = 25\%$ of $Rs.10 = Rs.2.5$	23.75
Works cost	143.75
Selling Expenses = $\frac{Rs.20,000}{Rs.2,00,000} \times 100 = 10\%$ of works cost	14.38
Total Cost	158.13
Profit (20% of total Cost)	31.63
Selling Price	189.76

THE END